

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 000-26408

Wayside Technology Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3136104

(I.R.S. Employer Identification No.)

1157 Shrewsbury Avenue, Shrewsbury, New Jersey 07702

(Address of principal executive offices)

(732) 389-8950

Registrant's Telephone Number

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Check One:

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 4,711,867 outstanding shares of common stock, par value \$.01 per share, ("Common Stock") as of July 31, 2012, not including 572,633 shares classified as treasury stock.

PART I — FINANCIAL INFORMATION WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except share and per share amounts)

	June 30, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,237	\$ 9,202
Marketable securities	5,572	5,375
Accounts receivable, net of allowances of \$1,422 and \$1,513, respectively	50,369	47,066
Inventory, net	1,307	1,240
Prepaid expenses and other current assets	1,256	1,997
Deferred income taxes	347	329
Total current assets	66,088	65,209
Equipment and leasehold improvements, net	370	458
Accounts receivable-long-term	9,551	8,889
Other assets	74	54
Deferred income taxes	250	251

Total assets		\$ 76,333	\$ 74,861
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued expenses		\$ 45,750	\$ 45,796
Current portion - capital lease obligation		83	76
Total current liabilities		45,833	45,872
Long- term portion- capital lease obligation		14	55
Total liabilities		45,847	45,927
Commitments and contingencies			
Stockholders' equity			
Common Stock, \$.01 par value; 10,000,000 shares authorized, 5,284,500 shares issued; 4,711,867 and 4,679,878 shares outstanding, respectively		53	53
Additional paid-in capital		27,453	26,725
Treasury stock, at cost, 572,633 and 604,622 shares, respectively		(5,012)	(4,991)
Retained earnings		7,665	6,818
Accumulated other comprehensive income		327	329
Total stockholders' equity		30,486	28,934
Total liabilities and stockholders' equity		\$ 76,333	\$ 74,861

The accompanying notes are an integral part of these condensed consolidated financial statements.

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WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(In thousands, except per share data)

	Six months ended June 30,		Three months ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 136,076	\$ 112,210	\$ 69,169	\$ 60,661
Cost of sales	124,919	101,784	63,579	55,060
Gross profit	11,157	10,426	5,590	5,601
Selling, general and administrative expenses	7,538	7,170	3,551	3,640
Income from operations	3,619	3,256	2,039	1,961
Interest income, net	254	172	130	86
Realized foreign exchange gain	1	1	—	1
Income before income tax provision	3,874	3,429	2,169	2,048
Provision for income taxes	1,541	1,358	865	820
Net income	\$ 2,333	\$ 2,071	\$ 1,304	\$ 1,228
Net income per common share - Basic	\$ 0.52	\$ 0.47	\$ 0.29	\$ 0.28
Net income per common share — Diluted	\$ 0.50	\$ 0.45	\$ 0.28	\$ 0.26
Weighted average common shares outstanding-Basic	4,449	4,414	4,471	4,414
Weighted average common shares outstanding-Diluted	4,632	4,647	4,656	4,645
Dividends paid per common share	\$ 0.32	\$ 0.32	\$ 0.16	\$ 0.16

The accompanying notes are an integral part of these condensed consolidated financial statements.

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WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

Six months ended

Three months ended

	June 30,		June 30,	
	2012	2011	2012	2011
Net income	\$ 2,333	\$ 2,071	\$ 1,304	\$ 1,228
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	(7)	88	(75)	(33)
Unrealized gain on available- for-sale marketable securities	5	4	1	1
Other comprehensive income (loss)	(2)	92	(74)	(32)
Comprehensive income	\$ 2,331	\$ 2,163	\$ 1,230	\$ 1,196

The accompanying notes are an integral part of these condensed consolidated financial statements.

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WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Treasury		Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount		Shares	Amount			
Balance at January 1, 2012	5,284,500	\$ 53	\$ 26,725	604,622	\$ (4,991)	\$ 6,818	\$ 329	\$ 28,934
Net income						2,333		2,333
Translation adjustment							(7)	(7)
Unrealized gain on available- for-sale securities							5	5
Dividends paid						(1,486)		(1,486)
Stock options exercised			153	(53,375)	256			409
Share-based compensation expense			463					463
Tax benefit from share- based compensation			112					112
Treasury shares repurchased				21,386	(277)			(277)
Balance at June 30, 2012	5,284,500	\$ 53	\$ 27,453	572,633	\$ (5,012)	\$ 7,665	\$ 327	\$ 30,486

The accompanying notes are an integral part of these condensed consolidated financial statements.

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WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six months ended June 30,	
	2012	2011
Net income	\$ 2,333	\$ 2,071
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	163	157
Deferred income taxes	(18)	64
Provision for doubtful accounts receivable	95	105
Share-based compensation expense	463	589
Changes in operating assets and liabilities:		
Accounts receivable	(4,077)	4,513
Inventory	(67)	(180)
Prepaid expenses and other current assets	740	(126)
Accounts payable and accrued expenses	(18)	(7,181)
Net change in other assets and liabilities	(21)	(3)
Net cash (used in) provided by operating activities	(407)	9
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,886)	—
Redemptions of available-for-sale securities	2,695	3,137
Capital expenditures	(73)	(124)
Net cash (used in) provided by investing activities	(264)	3,013
Cash flows from financing activities:		
Dividend paid	(1,486)	(1,503)
Treasury stock repurchased	(277)	(1,072)
Tax benefit from share-based compensation	112	188
Repayment of capital lease obligations	(34)	(41)
Proceeds from stock option exercises	409	71
Net cash used in financing activities	(1,276)	(2,357)

Effect of foreign exchange rate on cash	(18)	47
Net (decrease) increase in cash and cash equivalents	(1,965)	712
Cash and cash equivalents at beginning of period	9,202	10,955
Cash and cash equivalents at end of period	<u>\$ 7,237</u>	<u>\$ 11,667</u>
Supplementary disclosure of cash flow information:		
Income taxes paid	<u>\$ 1,960</u>	<u>\$ 1,231</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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WAYSIDE TECHNOLOGY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2012

1. The accompanying unaudited condensed consolidated financial statements of Wayside Technology Group, Inc. and its subsidiaries (collectively, the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. GAAP for complete audited financial statements.

The preparation of these condensed consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, investments, intangible assets, income taxes, stock-based compensation, and contingencies and litigation. The Company bases its estimates on its historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. In the opinion of the Company's management, all adjustments that are of a normal recurring nature, considered necessary for fair presentation, have been included in the accompanying financial statements. The Company's actual results may differ from these estimates under different assumptions or conditions. The unaudited condensed consolidated statements of earnings for the interim periods are not necessarily indicative of results for the full year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K filed with the Securities Exchange Commission for the year ended December 31, 2011.

2. Assets and liabilities of the Company's foreign subsidiaries have been translated at current exchange rates, and related sales and expenses have been translated at average rates of exchange in effect during the period. The sales from our Canadian operations in the first six months of 2012 were \$11.5 million as compared to \$8.8 million for the first six months of 2011. The sales from our Canadian operations for the second quarter of 2012 were \$5.6 million as compared to \$4.2 million for the second quarter of 2011.

3. Cumulative translation adjustments and unrealized gains (losses) on available-for-sale securities have been classified within accumulated other comprehensive income, which is a separate component of stockholders' equity in accordance with FASB ASC Topic 220, "Comprehensive Income."

4. The Company records revenues from sales transactions when title to products sold passes to the customer. Usual sales terms are FOB shipping point, at which time title and risk of loss have passed to the customer and delivery has occurred. Revenue is recognized in accordance with ASC Topic 985-605 "Software Revenue Recognition" and ASC Topic 605-10-S99, and ASC Topic 605-45, "Reporting Revenue Gross as a Principal versus Net as an Agent". The majority of the Company's revenues relates to physical products and is recognized on a gross basis with the selling price to the customer recorded as net sales and the acquisition cost of the product to the Company recorded as cost of sales. At the time of sale, the Company also records an estimate for sales returns based on historical experience. Certain software maintenance products, third party services and extended warranties sold by the Company (for which the Company is not the primary obligor) are recognized on a net basis. Accordingly, such revenues are recognized in net sales either at the time of sale or over the contract period, based on the nature of the contract, at the net amount retained by the Company, with no cost of goods sold.

Accounts receivable long-term result from product sales with extended payment terms that are discounted to their present values at the prevailing market rates. In subsequent periods, the accounts receivable are increased to the amounts due and payable by the customers through the accretion of interest income on the

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unpaid accounts receivable due in future years. The amounts due under these long-term accounts receivable due within one year are reclassified to the current portion of accounts receivable.

5. Vendor rebates and price protection are recorded when earned as a reduction to cost of sales or merchandise inventory, as applicable. Cooperative reimbursements from vendors, which are earned and available, are recorded in the period in which the related advertising expenditure is incurred. Cooperative reimbursements are recorded as reduction in cost of sales in accordance with ASC Topic 605-50 "Accounting by a Customer (including reseller) for Certain Consideration Received from a Vendor."

6. The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximated fair value at June 30, 2012 and December 31, 2011 because of the relative short maturity of these instruments.

Investments in available-for-sale securities at June 30, 2012 were (in thousands):

	Cost	Market value	Unrealized (loss)
Certificates of deposit	\$ 5,586	\$ 5,572	\$ (14)
Total Marketable securities	<u>\$ 5,586</u>	<u>\$ 5,572</u>	<u>\$ (14)</u>

The cost and market value of the Company's investments at June 31, 2012 determined by contractual maturity were (in thousands):

	Cost	Estimated Fair Value
Due in one year or less	\$ 5,586	\$ 5,572

Investments in available-for-sale securities at December 31, 2011 were (in thousands):

	Cost	Market value	Unrealized (loss)
Certificates of deposit	\$ 5,394	\$ 5,375	\$ (19)
Total Marketable securities	\$ 5,394	\$ 5,375	\$ (19)

The cost and market value of the Company's investments at December 31, 2011 determined by contractual maturity were (in thousands):

	Cost	Estimated Fair Value
Due in one year or less	\$ 5,394	\$ 5,375

7. The Company accounts for the fair value measurement in accordance with FASB ASC Topic 820 "Fair Value Measurement and Disclosure", which establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. The Company uses the following methods for determining fair value in accordance with ASC Topic 820. For assets and liabilities that are measured using quoted prices in active markets for the identical asset or liability, the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs (Level 1). Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (Level 2). For all remaining assets and liabilities for which there are no significant observable inputs, fair value is derived using an assessment of various discount rates, default risk, credit quality and the overall capital market liquidity (Level 3).

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The following table summarizes the basis used to measure certain financial assets and liabilities at fair value on a recurring basis in the condensed consolidated balance sheets:

(In thousands) Description	Balance at June 30, 2012	Fair Value Measurements at June 30, 2012 Using		
		Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 5,572	\$ —	\$ 5,572	\$ —

(In thousands) Description	Balance at December 31, 2011	Fair Value Measurements at December 31, 2011 Using		
		Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 5,375	\$ —	\$ 5,375	\$ —

Certificates of deposit- The fair value of certificates of deposit is estimated using third-party quotations for similar certificates of deposit. These deposits are categorized in Level 2 of the fair value hierarchy.

8. Balance Sheet Detail — (in thousands):

Equipment and leasehold improvements consist of the following as of June 30, 2012 and December 31, 2011:

	June 30, 2012	December 31, 2011
Equipment	\$ 2,769	\$ 2,696
Leasehold improvements	560	560
	3,329	3,256
Less accumulated depreciation and amortization	(2,959)	(2,798)
	\$ 370	\$ 458

Accounts payable and accrued expenses consist of the following as of June 30, 2012 and December 31, 2011:

	June 30, 2012	December 31, 2011
Trade accounts payable	\$ 43,596	\$ 42,417
Other accrued expenses	2,154	3,379
	\$ 45,750	\$ 45,796

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Accumulated other comprehensive income consists of the following as of June 30, 2012 and December 31, 2011:

	June 30, 2012	December 31, 2011
Foreign currency translation adjustments	\$ 341	\$ 348
Unrealized (loss) on marketable securities	(14)	(19)
	\$ 327	\$ 329

9. Basic Earnings Per Share (“EPS”) is computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted EPS is computed considering the potentially dilutive effect of outstanding stock options and nonvested shares of restricted stock. A reconciliation of the numerators and denominators of the basic and diluted per share computations follows (in thousands, except share and per share data):

	Six months ended June 30,		Three months ended June 30,	
	2012	2011	2012	2011
Numerator:				
Net income	\$ 2,333	\$ 2,071	\$ 1,304	\$ 1,228
Denominator:				
Weighted average shares (Basic)	4,449	4,414	4,471	4,414
Dilutive effect of outstanding options and non-vested shares of restricted stock	183	233	185	231
Weighted average shares including assumed conversions (Diluted)	4,632	4,647	4,656	4,645
Basic net income per share	\$ 0.52	\$ 0.47	\$ 0.29	\$ 0.28
Diluted net income per share	\$ 0.50	\$ 0.45	\$ 0.28	\$ 0.26

10. The Company had one major vendor that accounted for 14.6% and 14.5% of total purchases during the six and three months, respectively, that ended June 30, 2012. The Company had one major vendor that accounted for 11.9% and 13.9% of total purchases during the six and three months, respectively, that ended June 30, 2011. The Company had three major customers that accounted for 13.4%, 13.3% and 12.3%, respectively, of its total net sales during the six months ended June 30, 2012, and 13.7%, 15.9% and 13.0% of total net sales for

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the three months then ended. These same customers accounted for 12.0%, 14.0% and 9.9%, respectively, of total net accounts receivable as of June 30, 2012. The Company had three major customers that accounted for 14.5%, 11.0% and 10.7%, respectively, of its total net sales during the six months ended June 30, 2011, and 14.6%, 11.4% and 11.0% of total net sales for the three months then ended.

11. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2008. The Company’s policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as operating expenses. The Company believes that it has appropriate support for the income tax positions it takes and expects to take on its tax returns, and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter.

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The provision consists of the following (in thousands):

	Six months ended June 30,		Three months ended June 30,	
	2012	2011	2012	2011
Current:				
Federal	\$ 1,208	\$ 922	\$ 726	\$ 566
State	228	268	137	165
Canada	123	103	44	46
	1,559	1,293	907	777
Deferred tax (benefit) expense	(18)	65	(42)	43
	\$ 1,541	\$ 1,358	\$ 865	\$ 820
Effective tax rate	39.8%	39.6%	39.9%	40.0%

12. The 2006 Stock- Based Compensation Plan (the “2006 Plan”). The 2006 Plan authorizes the grant of Stock Options, Stock Units, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Bonuses, and other equity-based awards. The total number of shares of Common Stock initially available for award under the 2006 Plan was 800,000. As of June 30, 2012, the number of shares of Common Stock available for future award grants to employees and directors under the 2006 Plan is 122,250.

During 2006, the Company granted a total of 315,000 shares of Restricted Stock to officers, directors and employees. Included in this grant were 200,000 Restricted Shares granted to the Company’s CEO in accordance with his employment agreement. These 200,000 Restricted Shares vest over 120 months. The remaining grants of Restricted Stock vest over 60 months.

During 2007, the Company granted a total of 30,000 shares of Restricted Stock to officers, directors and employees. These shares of Restricted Stock vest over 60 months. In 2007, a total of 12,500 shares of Restricted Stock were forfeited as a result of employees and officers terminating employment with the Company.

During 2008, the Company granted a total of 57,500 shares of Restricted Stock to officers and directors. These shares of Restricted Stock vest over 60 months. In 2008, a total of 3,500 shares of Restricted Stock were forfeited as a result of employees terminating employment with the Company.

During 2009, the Company granted a total of 140,000 shares of Restricted Stock to officers and employees. These shares of Restricted Stock vest over 20 equal quarterly installments.

During 2010, the Company granted a total of 150,500 shares of Restricted Stock to officers and employees. These shares of Restricted Stock vest over 60 months. In 2010, a total of 5,875 shares of Restricted Stock were forfeited as a result of employees and officers terminating employment with the Company.

During 2011, the Company granted a total of 15,000 shares of Restricted Stock to employees. These shares of Restricted Stock vest over 60 months. In 2011, a total of 8,375 shares of Restricted Stock were forfeited as a result of employees terminating employment with the Company.

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Changes during 2012 in options outstanding under the Company's combined plans (i.e., the 2006 Plan, the 1995 Non-Employee Director Plan and the 1995 Stock Option Plan) were as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (\$M)(1)
Outstanding at January 1, 2012	374,140	\$ 8.33		
Granted in 2012	—	—		
Canceled in 2012	—	—		
Exercised in 2012	53,375	\$ 7.66		
Outstanding at June 30, 2012	<u>320,765</u>	\$ 8.44	2.0	\$ 1.3
Exercisable at June 30, 2012	<u>320,765</u>	\$ 8.44	2.0	\$ 1.3

(1) The intrinsic value of an option is calculated as the difference between the market value on the last trading day of the quarter (June 29, 2012) and the exercise price of the outstanding options. The market value as of June 29, 2012 was \$12.25 per share represented by the closing price as reported by The Nasdaq Global Market on that day.

A summary of nonvested shares of Restricted Stock awards outstanding under the Company's 2006 Plan as of June 30, 2012, and changes during the six months then ended is as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares at January 1, 2012	262,275	\$ 10.44
Granted in 2012	—	—
Vested in 2012	(46,700)	9.91
Forfeited in 2012	—	—
Nonvested shares at June 30, 2012	<u>215,575</u>	<u>\$ 10.55</u>

As of June 30, 2012, there is approximately \$2.3 million of total unrecognized compensation costs related to nonvested share-based compensation arrangements. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 3.1 years.

For the six months ended June 30, 2012 and 2011, the Company recognized share-based compensation cost of approximately \$463,000 and \$589,000, respectively, which is included in the Company's general and administrative expense.

13. ASC Topic 280, "Segment Reporting," requires that public companies report profits and losses and certain other information on their "reportable operating segments" in their annual and interim financial statements. The internal organization used by the public company's Chief Operating Decision Maker (CODM) to assess performance and allocate resources determines the basis for reportable operating segments. The Company's CODM is the Chief Executive Officer.

The Company is organized into two reportable operating segments — the "TechXtend" segment, which sells technical software, hardware and services directly to end-users (such as individual programmers, corporations, government agencies, and educational institutions) and the "Lifeboat" segment, which distributes technical software to corporate resellers, value added resellers (VARs), consultants and systems integrators.

As permitted by ASC Topic 280, the Company has utilized the aggregation criteria in combining its operations in Canada with the domestic segments as the Canadian operations provide the same products and services to similar clients and are considered together when the Company's CODM decides how to allocate resources.

Segment income is based on segment revenue less the applicable segment's cost of revenues as well as segment direct costs (including such items as payroll costs and payroll related costs, such as profit sharing, incentive awards and insurance) and excluding general and administrative expenses not attributed to an individual segment business unit. The Company only identifies accounts receivable and inventory by segment as shown below as "Selected Assets"; it does not allocate its other assets, including capital expenditures by segment.

The following segment reporting information of the Company is provided (in thousands):

	Six months ended June 30,		Three months ended June 30,	
	2012	2011	2012	2011
Revenue:				
TechXtend	\$ 33,226	\$ 23,708	\$ 15,621	\$ 11,710
Lifeboat	102,850	88,502	53,548	48,951
	<u>136,076</u>	<u>112,210</u>	<u>69,169</u>	<u>60,661</u>
Gross Profit:				
TechXtend	\$ 3,528	\$ 2,714	\$ 1,746	\$ 1,303
Lifeboat	7,629	7,712	3,844	4,298
	<u>11,157</u>	<u>10,426</u>	<u>5,590</u>	<u>5,601</u>
Direct Costs:				
TechXtend	\$ 1,681	\$ 1,459	\$ 840	\$ 740
Lifeboat	2,238	2,269	1,107	1,152
	<u>3,919</u>	<u>3,728</u>	<u>1,947</u>	<u>1,892</u>
Segment Income:				
TechXtend	\$ 1,847	\$ 1,255	\$ 906	\$ 563
Lifeboat	5,391	5,443	2,737	3,146
Segment Income	<u>7,238</u>	<u>6,698</u>	<u>3,643</u>	<u>3,709</u>
Corporate general and administrative expenses	\$ 3,619	\$ 3,442	\$ 1,604	\$ 1,748
Interest income, net	254	172	130	86
Foreign currency translation gain	1	1	—	1
Income before taxes	<u>\$ 3,874</u>	<u>\$ 3,429</u>	<u>\$ 2,169</u>	<u>\$ 2,048</u>

Selected Assets By Segment:	
TechXtend	\$ 30,329
Lifeboat	30,898
Corporate assets	15,106
Segment Selected Assets	\$ 76,333

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of risk and uncertainties, including those set forth under the heading "Certain Factors Affecting Results of Operations and Stock Price" and elsewhere in this report and those set forth in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission. The following discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes included in this report and the consolidated financial statements and related notes included in our 2011 Annual Report on Form 10-K.

Overview

The Company is organized into two reportable operating segments — the "TechXtend" segment, which sells technical software, hardware and services directly to end-users (such as individual programmers, corporations, government agencies, and educational institutions) and the "Lifeboat" segment, which distributes technical software to end-users through corporate resellers, value added resellers (VARs), consultants and systems integrators.

More generally, the Company's sales, gross profit and results of operations have fluctuated and are expected to continue to fluctuate on a quarterly basis as a result of a number of factors, including but not limited to: overall pricing trends in the markets we serve; the availability and level of vendor rebates and discounts; the loss of any major vendor; condition of the software industry in general; shifts in demand for software products; our customers' ability to meet their payment obligations in a timely manner; industry shipments of new software products or upgrades; the timing of new merchandise and catalog offerings; fluctuations in response rates; fluctuations in postage, paper, shipping and printing costs and in merchandise returns; adverse weather conditions that affect response, distribution or shipping; shifts in the timing of holidays; and changes in the Company's product offerings. If revenues do not meet expectations in any given quarter, operating results may be materially adversely affected.

Results of Operations

The following table sets forth for the periods indicated certain financial information derived from the Company's unaudited condensed consolidated statements of earnings expressed as a percentage of net sales. This comparison of financial results is not necessarily indicative of future results:

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	Six months ended June 30,		Three months ended June 30,	
	2012	2011	2012	2011
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	91.8	90.7	91.9	90.8
Gross profit	8.2	9.3	8.1	9.2
Selling, general and administrative expenses	5.5	6.4	5.1	6.0
Income from operations	2.7	2.9	3.0	3.2
Interest income, net	.1	.2	0.1	0.2
Realized foreign currency exchange gain	—	—	—	—
Income before income taxes	2.8	3.1	3.1	3.4
Provision for income taxes	1.1	1.2	1.2	1.4
Net income	1.7%	1.9%	1.9%	2.0%

Net Sales

Net sales for the second quarter of 2012 increased 14% or \$8.5 million to \$69.2 million compared to \$60.7 million for the same period in 2011. The 14% increase in net sales was mainly a result of our continued focus on the expanding virtual infrastructure-centric business, the addition of several key product lines, the strengthening of our account penetration and larger sales transactions during the quarter. Net sales for the second quarter of 2012 for our Lifeboat segment were \$53.5 million compared to \$49.0 million in the second quarter of 2011, representing an increase of \$4.6 million or 9%. Net sales for the second quarter of 2012 for our TechXtend segment were \$15.6 million compared to \$11.7 million in the second quarter of 2011, representing an increase of \$3.9 million or 33% increase. The increase in sales in the TechXtend division was primarily due to an increase in larger sales transactions in the second quarter of 2012.

For the six months ended June 30, 2012, net sales increased 21% or \$23.9 million to \$136.1 million compared to \$112.2 million for the same period in 2011. Sales for the six months ended June 30, 2012 for our Lifeboat segment increased 16% or \$14.3 million to \$102.9 million compared to \$88.5 million for the same period in 2011. Sales for the six months ended June 30, 2012 for our TechXtend segment increased 40% or \$9.5 million to \$33.2 million compared to \$23.7 million for the same period in 2011.

The 16% increase in net sales from our Lifeboat segment in the first six months of 2012 compared to the same period in 2011 was mainly a result of our continued focus on the expanding virtual infrastructure-centric business, the addition of several key product lines, and the strengthening of our account penetration. The 40% increase in sales in the TechXtend segment was primarily due to an increase in extended terms transactions.

Gross Profit

Gross Profit for the quarter ended June 30, 2012 was \$5.6 million compared to \$5.6 million for the second quarter of 2011. Total gross profit for our Lifeboat segment was \$3.8 million compared to \$4.3 million in the second quarter of 2011, representing an 11% decrease. The decrease in gross profit for the Lifeboat segment was due to lower vendor rebate attainment and competitive pricing pressure within this segment. Total gross profit for our

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TechXtend segment was \$1.7 million compared to \$1.3 million in the second quarter of 2011, representing a 34% increase. The increase in gross profit in the TechXtend segment was the result of the increased sales volume. Vendor rebates and discounts for the quarter ended June 30, 2012 amounted to \$0.4 million compared to \$0.8 million for the second quarter of 2011. Vendor rebates are dependent on reaching certain targets set by our vendors. Vendors have been periodically substantially increasing their target revenues for rebate eligibility. Therefore, despite our increasing revenue, vendor rebates have declined.

For the six months ended June 30, 2012 gross profit increased by \$0.7 million to \$11.2 million compared to \$10.4 million for the same period in 2011. Lifeboat's gross profit for the six months ended June 30, 2012 was \$7.6 million compared to \$7.7 million for the first six months of 2011. The decrease in gross profit for the Lifeboat segment was due to lower vendor rebate attainment and competitive pricing pressure within this segment. TechXtend gross profit for the six months ended June 30, 2012 was \$3.5 million compared to \$2.7 million for the first six months of 2011. Vendor rebates and discounts for the six month period ended June 30, 2012 amounted to \$0.7 million compared to \$1.4 million for the six month period ended June 30, 2011.

Gross profit margin, i.e., gross profit as a percentage of net sales, for the quarter ended June 30, 2012 was 8.1% compared to 9.2% for the second quarter of 2011. Gross profit margin for the six months ended June 30, 2012 was 8.2% compared to 9.3% in the same period in 2011. Gross profit margin for our Lifeboat segment for the second quarter of 2012 was 7.2% compared to 8.8% for the second quarter of 2011. Gross profit margin for our TechXtend segment for the second quarter of 2012 was 11.2% compared to 11.1% for the second quarter of 2011.

The decrease in gross profit margin was primarily caused by the continued pressure on discounts and rebates earned and competitive pricing pressure in both segments, and, in part, by our having won several large bids based on aggressive pricing, which we plan to continue to do.

The Company monitors gross profits and gross profit margins carefully. Price competition in our market intensified in 2012, with competitors lowering their prices significantly. The Company responded immediately. Although our sales volume increased substantially as a result, gross margins, as well as the rebates and discounts that are material elements of the Company's overall profitability, were negatively impacted during the quarter. We anticipate that margins, as well as discounts and rebates, for the remainder of the year will continue to be affected by this current trend.

Selling, General and Administrative Expenses

Total selling, general, and administrative ("SG&A") expenses for the second quarter of 2012 were \$3.6 million compared to \$3.6 million for the second quarter of 2011, which was mainly the result of lower stock compensation and bad debt expense compared to 2011. As a percentage of net sales, SG&A expenses for the second quarter of 2012 were 5.1% compared to 6.0% for the second quarter of 2011. For the six months ended June 30, 2012, SG&A expenses were \$7.5 million compared to \$7.2 million in the same period in 2011, due mainly to an increase in employee and employee-related expenses of \$0.4 million in 2012, compared to 2011. As a percentage of net sales, SG&A expenses were 5.5% for the six months ended June 30, 2012 compared to 6.4% for the same period in 2011.

The Company expects that its SG&A expenses, as a percentage of net sales, may vary by quarter depending on changes in sales volume, and levels of continuing investments in information technology and marketing. We continue to monitor our SG&A expenses closely.

Direct selling costs (a component of SG&A) for the second quarter of 2012 were \$1.9 million compared to \$1.9 million for the second quarter of 2011. Total direct selling costs for our Lifeboat segment for the second quarter of 2012 were \$1.1 million compared to \$1.2 million for the same period in 2011. Total direct selling costs for our TechXtend segment for the second quarter of 2012 were \$0.8 million compared to \$0.7 million for the same period in 2011.

Foreign Currency Transactions Gain (Loss)

There was no realized foreign exchange gain for the second quarter ended June 30, 2012, compared to \$1,000 for the same period in 2011. For the six months ended June 30, 2012 the realized foreign exchange gain was \$1,000 compared to \$1,000 in the same period last year. Foreign exchange gains and losses primarily result from our trade activity with our Canadian subsidiary. Although the Company does maintain bank accounts in Canadian currencies to reduce currency exchange fluctuations, the Company is, nevertheless, subject to risks associated with such fluctuations.

Income Taxes

For the quarter ended June 30, 2012, the Company recorded a provision for income taxes of \$865,000 which consists of a provision of \$726,000 for U.S. federal income taxes as well as a \$137,000 provision for state and local taxes and \$44,000 for foreign taxes, and a deferred tax benefit of \$42,000. For the quarter ended June 30, 2011, the Company recorded a provision for income taxes of \$820,000, which consists of a provision of \$566,000 for U.S. federal income taxes as well as a \$165,000 provision for state and local taxes and \$46,000 for Canadian taxes, and a deferred tax expense of \$43,000.

For the six months ended June 30, 2012 the Company recorded a provision for income taxes of \$1,541,000, which consists of a provision of \$1,208,000 for U.S. federal income taxes as well as a \$228,000 provision for state and local taxes and \$123,000 for Canadian taxes, and a deferred tax benefit of \$18,000. For the six months ended June 30, 2011 the Company recorded a provision for income taxes of \$1,358,000, which consists of a provision of \$922,000 for U.S. federal income taxes as well as a \$268,000 provision for state and local taxes and \$103,000 for Canadian taxes, and a deferred tax expense of \$65,000.

Liquidity and Capital Resources

During the first six months of 2012 our cash and cash equivalents decreased by \$2.0 million to \$7.2 million at June 30, 2012, from \$9.2 million at December 31, 2011. During the first six months of 2012, net cash used in operating activities amounted to \$0.4 million; net cash used in investing activities amounted to \$0.3 million and net cash used in financing activities amounted to \$1.3 million.

Net cash used in operating activities in the first the six months of 2012 was \$0.4 million and primarily resulted from a \$4.1 million increase in accounts receivable, partially offset by \$3.0 million from net income excluding non-cash charges, and a decrease in prepaid expenses of \$0.7 million.

Net cash used in investing activities in the first six months of 2012 amounted to \$0.3 million. This primarily resulted from net purchases of \$0.2 million in marketable securities and capital expenditures of \$0.1 million. These marketable securities are highly rated, highly liquid and are classified as available-for-sale securities in accordance with ASC Topic 320 "Investments in Debt and Equity Securities", and as a result, unrealized gains and losses are reported as part of accumulated other comprehensive income.

Net cash used in financing activities in the first six months of 2012 amounted to \$1.3 million. This consisted primarily of dividends paid of \$1.5 million and Common Stock repurchases of \$0.3 million partially offset by proceeds from stock options exercised of \$0.4 million.

The Company's current and anticipated use of its cash and cash equivalents is, and will continue to be, to fund working capital, operational expenditures, the Common Stock repurchase program and dividends if declared by

the board of directors. The Company's business plan contemplates our continuing use of our cash to pay vendors promptly in order to obtain more favorable terms.

We believe that the funds held in cash and cash equivalents will be sufficient to fund our working capital and cash requirements for at least the next 12 months. Currently we do not have any credit facility and, in the foreseeable future, we do not plan to enter into a credit facility.

Contractual Obligations as of June 30, 2012 were summarized as follows:
(Dollars in thousands)

Payment due by Period Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt	—	—	—	—	—
Capital Lease Obligations	\$ 97	\$ 83	\$ 14	—	—
Operating Leases (1)	\$ 217	\$ 187	\$ 30	—	—
Purchase Obligations	—	—	—	—	—
Other Long Term Obligations	—	—	—	—	—
Total Contractual Obligations	<u>\$ 314</u>	<u>\$ 270</u>	<u>\$ 44</u>	<u>\$ —</u>	<u>\$ —</u>

(1) Operating leases relate primarily to the leases of the space used for our operations in Shrewsbury, New Jersey, Mississauga, Canada and Almere, Netherlands. The commitments for operating leases include the minimum rent payments and a proportionate share of operating expenses and property taxes.

The Company is not committed by lines of credit or standby letters of credit, and has no standby repurchase obligations or other commercial debt commitments. The Company is not engaged in any transactions with related parties.

The Company's Canadian business is subject to changes in demand or pricing resulting from fluctuations in currency exchange rates or other factors. We are subject to fluctuations in the Canadian Dollar to U.S. Dollar exchange rate.

Off-Balance Sheet Arrangements

As of June 30, 2012, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's unaudited condensed consolidated financial statements that have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Generally, the Company recognizes revenue from the sale of software and hardware for microcomputers, servers and networks upon shipment or upon electronic delivery of the product as previously described herein. The Company expenses the advertising costs associated with producing its catalogs. The costs of these catalogs are expensed in the same month the catalogs are mailed.

On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, investments, intangible assets, income taxes, stock-based compensation and costs associated with exit or disposal activities, and contingencies and litigation.

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The Company's actual results may differ from these estimates.

The Company believes the following critical accounting policies described below, used in the preparation of its unaudited condensed consolidated financial statements, affect its more significant judgments and estimates.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The Company writes down its inventory for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-offs may be required.

The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance related to deferred tax assets. In the event the Company was to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

Under the fair value recognition provision stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense as it is amortized on a straight-line basis over the requisite service period, which is the vesting period. We make certain assumptions in order to value and expense our various share-based compensation awards. In connection with valuing stock options, we use the Black-Scholes model, which requires us to consider certain facts and to estimate certain subjective assumptions. The key facts and assumptions we consider are: (i) the expected volatility of our Common Stock; (ii) the expected term of the award; and (iii) the expected forfeiture rate. In connection with valuing shares of our Restricted Stock we make assumptions principally related to the forfeiture rate. We review our valuation assumptions periodically and, as a result, we may change our valuation assumptions used to value Common Stock based compensation awards granted in future periods. Such changes may lead to a significant change in the expense we recognize in connection with share-based compensation.

Certain Factors Affecting Results of Operations and Stock Price

This report includes "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements in this report regarding future events or conditions, including statements regarding industry prospects and the Company's expected financial position, results of operations (including sales and gross profit margin), business and financing plans, are forward-looking statements. These statements can be identified by forward-looking words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate" and "continue" or similar words. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Substantial risks and uncertainties unknown at this time could cause actual results to differ materially from those indicated by such forward-looking statements, including, but not limited to, the continued acceptance of the

availability and acceptance of new products, product mix, market conditions, competitive pricing pressures, contribution of key vendor relationships and support programs, including vendor rebates and discounts, as well as factors that affect the software industry in general and other factors. We strongly urge current and prospective investors to carefully consider the cautionary statements and risk factors contained in this report and our annual report on Form 10-K for the year ended December 31, 2011.

The Company operates in a rapidly changing business environment, and new risk factors emerge from time to time. Management cannot predict every risk factor, nor can it assess the impact, if any, that all such risk factors may have on the Company's business or the extent to which any one risk factor, or any combination of risk factors, may cause actual results to differ materially from those projected in any forward-looking statements.

Accordingly, forward-looking statements should not be relied upon as a prediction of actual results and readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. Unless otherwise required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Stock Volatility. The technology sector and the United States stock markets continue to experience substantial volatility. Numerous conditions, which impact the technology sector or the stock markets in general, and/or the Company in particular, whether or not such events relate to or reflect upon the Company's operating performance, could adversely affect the market price of the Company's Common Stock.

Furthermore, fluctuations in the Company's operating results, announcements regarding litigation, the loss of a significant vendor, increased competition, reduced vendor incentives and trade credit, higher operating expenses, and other developments, could have a significant impact on the market price of the Company's Common Stock.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In addition to its activities in the United States, the Company also conducts business in Canada. We are subject to general risks attendant to the conduct of business in Canada, including economic uncertainties and foreign government regulations. In addition, the Company's Canadian business is subject to changes in demand or pricing resulting from fluctuations in currency exchange rates or other factors. See "Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Foreign Currency Transactions Gain (Loss)."

The Company's \$5.6 million investments in marketable securities at June 30, 2012 are invested in insured certificates of deposit. The remaining cash balance is invested in short-term savings accounts with our primary banks, Citibank, and JPMorgan Chase Bank. As such, we believe that the risk of significant changes in the value of our cash invested is minimal.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As required by Rule 13a-15(b) under the Exchange Act, our management is responsible for and carried out an evaluation of the effectiveness of the design and operation of the Company's "disclosure controls and procedures", as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. This evaluation was carried out under

the supervision and with the participation of various members of our management, including our Company's President, Chairman of the Board and Chief Executive Officer (principal executive officer) and Vice President and Chief Accounting Officer (principal financial officer). Based upon that evaluation, the Company's Chief Executive Officer and Chief Accounting Officer concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered by this report, to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act, that occurred during the quarter ended June 30, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2- Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth the purchase of Common Stock by the Company and its affiliated purchasers during the second quarter of 2012.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid Per Share (3)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (4)
April 1, 2012- April 30, 2012	—	—	—	—	398,257
May 1, 2012- May 31, 2012	12,293 (1)	\$ 13.07	3,965	\$ 13.02	394,292
June 1, 2012- June 30, 2012	200	13.04	200	13.04	394,092
Total	12,493	\$ 13.07	4,165	\$ 13.02	394,092

(1) Includes 8,328 shares surrendered to the Company by employees to satisfy individual tax withholding obligations upon vesting of previously issued shares of Restricted Stock. These shares are not included in the Common Stock repurchase program referred to in footnote (4) below.

(2) Average price paid per share reflects the closing price the Company's Common Stock on the business date the shares were surrendered by the employee stockholder to satisfy individual tax withholding obligations upon vesting of Restricted Stock or the price of the Common Stock paid on the open market purchase, as applicable.

(3) Average price paid per share reflects the price of the Company's Common Stock purchased on the open market.

(4) On October 9, 2002, our Board of Directors adopted a Common Stock repurchase program whereby the Company was authorized to repurchase up to 500,000 shares of our Common Stock from time to time. On July 31, 2008, the Company approved the increase of its Common Stock repurchase program by an additional 500,000 shares. The Company expects to purchase shares of its Common Stock from time to time in the market or otherwise subject to market conditions. The Common Stock repurchase program does not have an expiration date.

Item 6. Exhibits

(a) Exhibits

10.1 2012 Stock-Based Compensation Plan

10.2 2012 Executive Incentive Plan

31.1 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Simon F. Nynens, the Chief Executive Officer (principal executive officer) of the Company.

31.2 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Kevin T. Scull, the Chief Accounting Officer (principal financial officer) of the Company.

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Simon F. Nynens, the Chief Executive Officer (principal executive officer) of the Company.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Kevin T. Scull, the Chief Accounting Officer (principal financial officer) of the Company.

101 The following financial information from Wayside Technology Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed with the SEC on August 3, 2012, formatted in XBRL (Extensible Business Reporting Language) includes: (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Earnings, (3) Condensed Consolidated Statements of Stockholders' Equity, (4) Condensed Consolidated Statements of Comprehensive Income, (5) Condensed Consolidated Statements of Cash Flows, and (6) the Notes to the Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text.*

*Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WAYSIDE TECHNOLOGY GROUP, INC

August 3, 2012

Date

By: /s/ Simon F. Nynens

Simon F. Nynens, Chairman of the Board,
President and Chief Executive Officer

August 3, 2012

Date

By: /s/ Kevin T. Scull

Kevin T. Scull, Vice President and
Chief Accounting Officer

WAYSIDE TECHNOLOGY GROUP, INC.

2012 STOCK-BASED COMPENSATION PLAN

1. Purpose

This 2012 Stock-Based Compensation Plan (the "Plan") has been established by Wayside Technology Group, Inc. (the "Company") (i) to attract and retain persons eligible to participate in the Plan; (ii) motivate Participants (as defined herein), by means of appropriate incentives, to achieve long-range goals; and (iii) link participants' interests with those of the Company's stockholders through compensation that is based on the common stock, and thereby promote the continued growth and financial success of the Company.

2. Definitions

For purposes of the Plan, the following terms shall have the meanings set forth below:

- (a) "Award" means an Option, SAR, Stock Bonus, Restricted Stock, Deferred Stock, Stock Unit or other equity-based award granted under the terms of the Plan.
- (b) "Award Agreement" means an agreement, in such form and including such terms as the Committee in its sole discretion shall determine, evidencing an Award.
- (c) "Award Formula" means as to any performance period, a formula or matrix, if applicable, established by the Committee pursuant to this Plan, and in accordance with the requirements of Section 162(m) of the Code, in order to determine the Awards (if any) to be paid to Executive Participants and certain other Participants. The formula or matrix may differ from Participant to Participant.
- (d) "Board" means the Board of Directors of Wayside Technology Group, Inc.
- (e) "Cause" means: (i) the Participant's conviction of any crime (whether or not involving the Company) constituting a felony in the jurisdiction involved; (ii) conduct of the Participant related to the Participant's employment or service for which either criminal or civil penalties against the Participant or the Company may be sought; (iii) material violation of the Company's policies, including but not limited to those relating to sexual harassment, the disclosure or misuse of confidential information, or those set forth in Company manuals or statements of policy; (iv) serious neglect or misconduct in the performance of the Participant's duties for the Company or willful or repeated failure or refusal to perform such duties.

If, subsequent to a Participant's termination of employment or service (whether voluntary or involuntary) without Cause, it is discovered that the Participant's employment or service could have been terminated for Cause, such Participant's employment or service shall be deemed to have been terminated for Cause. A Participant's termination of employment or service for Cause shall be effective as of the date of the occurrence of the event giving rise to Cause, regardless of when the determination of Cause is made.

- (f) "Change in Control" means a change in control of a nature that would be required to be reported in response to Item 1 of a Current Report on Form 8-K as in effect on the date the Plan becomes effective under section 13 or 15(d) of the Exchange Act, provided that, without limitation, a Change in Control shall be deemed to have occurred if:
 - (i) Any "Person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act), other than:
 - (1) Wayside Technology Group, Inc.,
 - (2) any Person who on the date hereof is a director or officer of Wayside Technology Group, Inc., or
 - (3) a trustee or fiduciary holding securities under an employee benefit plan of Wayside Technology Group, Inc., is or becomes the "beneficial owner," (as defined in Rule 13-d3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities; or
 - (ii) During any period of two consecutive years during the term of this Plan, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of the period; or
 - (iii) The stockholders of the Company approve: (A) a plan of complete liquidation of the Company; or (B) an agreement for the sale or disposition of all or substantially all of the Company's assets; or (C) a merger, consolidation, or reorganization of the Company with or involving any other corporation, other than a merger, consolidation, or reorganization (collectively, a "Transaction"), that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), at least 50% of the combined voting power of the voting securities of the Company (or the surviving entity, or an entity which as a result of the Transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) outstanding immediately after the Transaction.
- (g) "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.
- (h) "Committee" means the Compensation Committee of the Board; provided, however, that the Committee shall at all times have at least two members, all of whom are "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act, "outside directors" within the meaning of section 162(m) of the Code, and independent within the meaning of any applicable stock exchange rule.

- (i) "Common Stock" means the common stock of Wayside Technology Group, Inc., par value \$0.01 per share.
- (j) "Company" means Wayside Technology Group, Inc. and any "subsidiary corporation" (as that term is defined in Code section 424(f)) with respect to Wayside Technology Group, Inc.

- (k) "Deferred Stock" means an Award made under Section 7 to receive Common Stock at the end of a specified Deferral Period.
- (l) "Deferral Period" means the period during which the receipt of a Deferred Stock Award under Section 7 will be deferred.
- (m) "Disability" means a disability described in section 422(c)(6) of the Code.
- (n) "Employee" means an officer or salaried employee of the Company providing key services to the Company, including a director who is such an employee. Employee shall also include individuals of the Company who are not salaried employees, but who receive Awards under the Plan conditioned on their becoming an Employee.
- (o) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (p) "Executive Participant" means a Participant who is reasonably expected to be a "covered employee" within the meaning of Section 162(m)(3) of the Code with respect to any Performance Period in which the Company would be entitled to take a compensation deduction for an Actual Award to such Participant (determined without regard to the limitation on deductibility imposed by Section 162(m)).
- (q) "Fair Market Value" of Common Stock on any given date shall be determined according to the following rules:
 - (1) If the Common Stock is at the time listed or admitted to trading on any stock exchange, then the "Fair Market Value" shall be the mean between the highest and lowest prices of the Common Stock on the date in question on the principal national securities exchange on which it is then listed or admitted to trading. If no reported sale of Common Stock takes place on the date in question on the principal exchange, then the reported closing asked price of the Common Stock on such date on the principal exchange shall be determinative of "Fair Market Value."
 - (2) If the Common Stock is not at the time listed or admitted to trading on a stock exchange, the "Fair Market Value" shall be the mean between the highest reported asked price and lowest reported bid price of the Common Stock on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Common Stock in such market.
 - (ii) If the Common Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the "Fair Market Value" shall be as determined in good faith by the Committee.

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- (r) "Incentive Stock Option" means an Option that meets the requirements of an incentive stock option as defined in section 422 of the Code.
 - (s) "Option" means the right granted under Section 6 to purchase Common Stock for a specified period of time at a stated price. An Option may be an Incentive Stock Option or a Non-Qualified Stock Option.
 - (t) "Non-Qualified Stock Option" means an Option that is not intended to be an Incentive Stock Option.
 - (u) "Participant" means an Employee, director or consultant who is eligible to participate in the Plan in accordance with Section 3 and to whom an Award is granted under the Plan.
 - (v) "Performance Goal" means an objective and measurable performance goal determined by the Committee, in its discretion, to be applicable to Executive Participants, and if the Committee deems appropriate, certain other Participants, for a specified performance period (but that is substantially uncertain to be met before the grant of the Award, and is set by the Committee in writing no later than the 90th day of such performance period, or if earlier, the date prior to the date upon which 25% of such performance period has elapsed). As determined by the Committee, the Performance Goal for any Award may provide for a targeted level or levels of achievement using one or more of the following measures: (i) the price of the Common Stock; (ii) milestones related to or changes in the market share of the Company (or any business unit thereof); (iii) milestones related to or changes in sales by the Company (or any business unit thereof); (iv) earnings per share of Common Stock; (v) return on stockholder equity of the Company; (vi) milestones related to or changes in costs of the Company (or any business unit thereof); (vii) milestones related to or changes in cash flow of the Company (or any business unit thereof); (viii) return on total assets of the Company (or any business unit thereof); (ix) return on invested capital of the Company (or any business unit thereof); (x) return on net assets of the Company (or any business unit thereof); (xi) operating income of the Company (or any business unit thereof); or (xii) net income of the Company (or any business unit thereof).
 - (w) "Restricted Stock" means a share of Common Stock that is awarded under Section 8 and that is subject to the restrictions set forth in such Section.
 - (x) "Restriction Period" means the period during which Restricted Stock is subject to forfeiture, which, if the Committee so provides may not expire until Retirement.
 - (y) "Retirement" means: (i) with respect to a Participant who is an active participant in any qualified pension plan maintained by the Company, retirement with the Company under the provisions of such plan; and (ii) with respect to any other Participant, termination of employment or service (with respect to directors, but not consultants) with the Company under the procedures established by the Committee.
 - (z) "SAR" means a stock appreciation right awarded under Section 10 and subject to the terms and conditions contained therein.
 - (aa) "Stock Unit" means the right granted under Section 11 to receive cash equal to the Fair Market Value of a share of Common Stock multiplied by the number of Stock Units

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awarded. For purposes of this Plan, fractional Stock Units, measured to the nearest four decimal places, may be credited.

- (bb) "Stock Bonus" means an award of a bonus payable in shares of Common Stock under Section 9.
- (cc) "Ten Percent Stockholder" means a person who on any given date owns, either directly or indirectly (taking into account the attribution rules contained in Code section 424(d)), stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any subsidiary corporation under Code section 424(f).

3. Eligibility

Any Employee, non-Employee director of the Company or key consultant to the Company who is designated by the Committee as eligible to participate in the Plan shall be eligible to receive an Award under the Plan, provided that an Incentive Stock Option may only be granted to an Employee of the Company.

4. Administration and Implementation of the Plan

- (a) Subject to Section 4(b), the Plan shall be administered by the Committee, which shall have full power to interpret and administer the Plan and full authority to act in selecting the Participants to whom Awards will be granted, in determining the times at which Awards will be granted, in determining the type and amount of Awards to be granted to each such Participant, the terms and conditions of Awards granted under the Plan (including whether Awards may be exchanged for cash, made on a tandem basis, or deferrable or transferable by a Participant) and the terms of agreements which will be entered into with Participants. The Committee shall have the power to establish different terms and conditions with respect to (i) the various types of Awards granted under the Plan, (ii) the granting of the same type of Award to different Participants (regardless of whether the Awards are granted at the same time or at different times), and (iii) the establishment of different Performance Goals and Award Formulas for different Participants.
- (b) The Committee shall not have the power to make or grant Awards to non-Employee directors of the Company. The Company's Nominating and Corporate Governance Committee shall have the authority to make recommendations to the full Board regarding Awards that should be made to non-Employee directors of the Company. The full Board shall have sole and absolute authority to make Awards to non-Employee directors hereunder, upon the Nominating and Corporate Governance Committee's recommendation. Awards made to non-Employee directors shall be subject to the other provisions of the Plan and shall be administered by the Committee, unless the full Board provides otherwise.
- (c) The Committee, in its sole discretion, will establish an Award Formula for purposes of determining Awards (if any) intended as "qualified performance-based compensation" within the meaning of Section 162(m) of the Code to each Executive Participant for each performance period. The Committee will establish each such Award Formula with sufficient specificity to satisfy the requirements of Section 162(m) of the Code at a time when the attainment of the related Performance Goals are substantially uncertain, and in no event later than the 90th day of such performance period, or if earlier, the date prior to the date

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upon which 25% of such performance period has elapsed. Each Award Formula will (a) be in writing and (b) provide for the payment of an Executive Participant's actual Award based on whether or the extent to which the Performance Goals for the performance period are achieved. Notwithstanding the foregoing, in no event will an Executive Participant's actual Award under this Plan for any performance period exceed the maximum possible award established pursuant to Section 5 of this Plan. Notwithstanding anything to the contrary in this Plan, in determining the actual Award for any Executive Participant, the Committee, in its sole discretion, may reduce (but not increase) the award payable to any Executive Participant below the award which otherwise would be payable under the Award Formula.

- (d) The Committee shall have the power to adopt regulations for carrying out the Plan (including regulations regarding the form and timing of elections and notices under the Plan) and to make changes in such regulations as it shall, from time to time, deem advisable. Any interpretation by the Committee of the terms and provisions of the Plan (including determinations of existence Cause and Disability hereunder) and the administration thereof, and all action taken by the Committee shall be final, binding and conclusive for all purposes and upon all Participants.
- (e) The Committee may condition the grant of any Award or the lapses of any Deferral Period or Restriction Period (or any combination thereof) upon the Participant's achievement of a Performance Goal that is established by the Committee before the grant of the Award. The Committee shall have the discretion to determine the specific targets with respect to each of these categories of Performance Goals. Before granting an Award or permitting the lapse of any Deferral Period or Restriction Period, the Committee shall certify that an individual has satisfied the applicable Performance Goal.
- (f) The Committee, in its sole discretion, may specify that the achievement of the Performance Goals will be determined without regard to the negative or positive effect of certain events, including, without limitation, any of the following: (i) charges for "extraordinary items" and other unusual or non-recurring items of loss or gain; (ii) asset impairments; (iii) litigation or claim judgments or settlements; (iv) changes in the Code or tax rates; (v) changes in accounting principles from the methods used in the Company's regular reports and financial statements; (vi) changes in other laws, regulations or other provisions affecting reported results; (vii) charges relating to restructurings, discontinued operations, severance and contract termination and other costs incurred in rationalizing certain business activities; (viii) gains or losses from the acquisition or disposition of businesses or assets or from the early extinguishment of debt; (ix) any recapitalization, reorganization, stock split or dividend, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution or other similar corporate transaction; and (x) foreign currency exchange gains or losses; provided that any such determination by the Committee with respect to a Executive Participant shall be made in a manner that is consistent with the provisions of Section 162(m) of the Code and the regulations and guidance promulgated thereunder.
- (g) Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

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- (h) The Committee may employ attorneys, consultants, accountants and other service providers. The Committee, the Board, the Company and the Company's officers shall be entitled to rely upon the advice and opinions of any such person. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made with respect to the Plan and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation in the manner provided in the Company's bylaws.

5. Shares Subject to the Plan

- (a) Subject to the following provisions of this Section, the maximum number of shares that may be delivered to Participants (or, if applicable, their heirs, legatees or permitted transferees) under the Plan shall not exceed 600,000 shares of Common Stock. Any shares issued under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares.
- (b) Any shares of Common Stock issued under the Plan that are forfeited because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under the Plan. However, to the extent any shares of Common Stock covered by an Award are not delivered to a Participant (or, if applicable, his heir, legatee or permitted transferee) because the Award is forfeited or canceled, or the shares are not delivered because the Award is settled in cash, such shares shall be deemed to have been delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under the Plan.
- (c) If the Exercise Price of any Option granted under the Plan is satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by

attestation), only the number of shares issued net of the shares of Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under the Plan.

- (d) Shares of Common Stock delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of shares of Common Stock available for delivery under the Plan, to the extent that such settlement, assumption or substitution is a result of the Company acquiring another entity (or an interest in another entity).
- (e) Subject to the other provisions of this Section, the following additional maximums are imposed under the Plan.
 - (1) The maximum number of shares of Common Stock that may be covered by Awards granted to any one individual under Sections 6 and 10 (relating to Options and SARs) shall be 300,000 shares during any calendar year.
 - (2) The maximum aggregate Award, or payment that can be made for Awards, granted to or earned by any one individual during any calendar year under Sections 7, 8, 9 and 11 (relating to Deferred Stock, Restricted Stock, Stock Bonus and Stock Units) for any single or combined Performance Goals established for any performance period shall be \$1,000,000, as determined by reference to the Fair Market Value on the date of grant of the Award.

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6. Options

The Committee may grant Options under the Plan. Options shall be evidenced by a written Award Agreement. Such Award Agreements shall conform to the requirements of the Plan, and may contain such other provisions as the Committee shall deem advisable. The grant of Options shall comply with and be subject to the following terms and conditions:

- (a) Identification of Options. Each Option granted under the Plan shall be clearly identified in the applicable Award Agreement as either an Incentive Stock Option or as a Non-Qualified Stock Option. In the absence of such identification, an Option shall be deemed to be a Non-Qualified Stock Option.
- (b) Number of Options. Subject to Section 5(e), the Award Agreement for each Option award shall specify the number of shares of Common Stock that a Participant may receive with respect to the Participant's option.
- (c) Exercise Price. The price per share at which Common Stock may be purchased upon exercise of an Option shall be determined by the Committee, but shall be not less than the Fair Market Value of a share of Common Stock on the date of grant. In the case of any Incentive Stock Option granted to a Ten Percent Stockholder, the option price per share shall not be less than 110% of the Fair Market Value of a share of Common Stock on the date of grant.
- (d) Term and Exercise of Options.
 - (1) An Award Agreement shall specify when an Option may be exercisable and the terms and conditions applicable thereto. The term of an Option shall in no event be greater than ten years.
 - (2) An Option may be exercised only for a whole number of shares of Common Stock. The Committee shall establish the time and the manner in which an Option may be exercised. The option price of the shares of Common Stock received upon the exercise of an Option shall be paid within three days of the date of exercise: (i) in cash or, (ii) in cash received from a broker-dealer whom the Participant has authorized to sell all or a portion of the Common Stock covered by the Option, or (iii) with the consent of the Committee, in whole or in part in shares of Common Stock held by the Participant for at least six months and valued at their Fair Market Value on the date of exercise. With the consent of the Committee, payment upon the exercise of a Non-Qualified Option may be made in whole or in part by Restricted Stock which has been held by the Participant for at least six months (based on the Fair Market Value of the Restricted Stock on the date the Option is exercised, as determined by the Committee). In such case the Common Stock to which the Option relates shall be subject to the same forfeiture restrictions originally imposed on the Restricted Stock exchanged therefor.
- (e) Limitations on Grants of Incentive Stock Options.
 - (1) Each provision of the Plan and each Award Agreement relating to an Incentive Stock Option shall be construed so that each Incentive Stock Option shall be an

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incentive stock option as defined in section 422 of the Code, and any provisions of the Option Agreement thereof that cannot be so construed shall be disregarded. Only an Employee may be granted an Incentive Stock Option. In no event may a Participant be granted an Incentive Stock Option which does not comply with such grant and vesting limitations as may be prescribed by section 422(b) of the Code. Without limiting the foregoing, the aggregate Fair Market Value (determined as of the time the Option is granted) of the Common Stock with respect to which an Incentive Stock Option may first become exercisable by a Participant in any one calendar year under the Plan shall not exceed \$100,000.

- (2) No Incentive Stock Option shall be transferable otherwise than by will or the laws of descent and distribution and, during the lifetime of the Participant, shall be exercisable only by the Participant. Upon the death of a Participant, the person to whom the rights have passed by will or by the laws of descent and distribution may exercise an Incentive Stock Option only in accordance with this Section.

7. Deferred Stock

The Committee may award Deferred Stock under the Plan, which shall be evidenced by an Award Agreement in such form as the Committee shall from time to time approve. Deferred Stock Awards shall comply with and be subject to the requirements of Section 409A of the Code and the following terms and conditions:

- (a) Crediting of Deferred Stock. Upon determination of the number of shares of Deferred Stock to be awarded to a Participant, the Committee shall direct that the same be credited to the Participant's account on the books of the Company but that issuance and delivery of the same shall be deferred until the date or dates provided in Section 7(b).
- (b) Deferral Period and Performance Goals.
 - (1) The Committee may condition the grant of an Award of Deferred Stock or the expiration of the Deferral Period upon the Participant's achievement of one or more Performance Goal(s) specified in the Award Agreement. If the Participant fails to achieve the specified Performance Goal(s), the

Committee shall not grant the Deferred Stock Award to the Participant, or the Participant shall forfeit the Award and no Common Stock shall be transferred to him pursuant to the Deferred Stock Award.

- (2) The Award Agreement shall specify the duration of the Deferral Period taking into account termination of employment or service on account of death, Disability, Retirement or Cause. The Deferral Period may consist of one or more installments. At the end of the Deferral Period or any installment thereof the shares of Deferred Stock applicable to such installment credited to the account of a Participant shall be issued and delivered to the Participant (or, if applicable, his heir, legatee or permitted transferee) in accordance with the terms of the Award Agreement. Notwithstanding the Deferral Period provided in an Award Agreement, the Committee may accelerate the delivery of all or any part of a Deferred Stock Award or waive the deferral limitations for all or any part of a Deferred Stock Award.

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(c) Voting Rights and Dividends.

- (1) Prior to issuance and delivery, the Participant shall have no rights as a stockholder with respect to any shares of Deferred Stock credited to the Participant's account.
- (2) Amounts equal to any dividends declared during the Deferral Period with respect to the number of shares covered by a Deferred Stock Award will be paid to the Participant currently, or deferred and deemed to be reinvested in additional Deferred Stock, or otherwise reinvested on such terms as are determined at the time of the Award and specified in the Award Agreement.

8. Restricted Stock

The Committee may award shares of Restricted Stock. Each grant of shares of Restricted Stock shall be evidenced by Award Agreements in such form and containing such terms and conditions and subject to such agreements or understandings as the Committee shall from time to time approve. Each grant of shares of Restricted Stock shall comply with and be subject to the following terms and conditions:

- (a) Terms of Restricted Stock. The Award Agreement for a grant of Restricted Stock shall conform to the requirements of the Plan, and shall specify (i) the number of shares of Common Stock subject to the Award, (ii) the Restriction Period applicable to the Award, (iii) the events that will give rise to a forfeiture of the Award, and (iv) the Performance Goals, if any, that must be achieved in order for the restriction to be removed from the Award. The agreement may contain such other provisions not inconsistent with the terms of the Plan as the Committee shall deem advisable.
- (b) Issuance of Certificates. The Committee shall direct that a certificate or certificates representing the number of shares of Common Stock be issued to the Participant with the Participant designated as the registered owner. The certificate(s) representing such shares shall be legended as to restrictions on the sale, transfer, assignment, pledge or other encumbrances during the Restriction Period and deposited by the Participant, together with a stock power endorsed in blank, with the Company.
- (c) Satisfaction of the Restriction Period. At the end of the Restriction Period, the Committee shall determine, in light of the terms and conditions set forth in the Award Agreement, the number of shares of Restricted Stock with respect to which the restrictions imposed hereunder have lapsed. The Restricted Stock with respect to which the restrictions shall lapse shall be converted to unrestricted Common Stock by the removal of the restrictive legends from the Restricted Stock. Thereafter, Common Stock equal to the number of shares of the Restricted Stock with respect to which the restrictions hereunder shall lapse shall be delivered to the Participant (or, where appropriate, the Participant's legal representative).
- (d) Voting Rights and Dividends.
 - (1) Unless otherwise determined by the Committee, during the Restriction Period the Participant shall have the right to vote all shares of Restricted Stock.

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- (2) Dividends will be authorized by the Company to be paid to the Participant during the period the restriction is enforced, subject to the same restrictions as the underlying shares upon which the restriction is declared.

9. Stock Bonus

The Committee may grant Stock Bonuses in such amounts as it shall determine from time to time. A Stock Bonus shall be paid at such time (including a future date selected by the Committee at the time of grant) and subject to such conditions as the Committee shall determine at the time of the grant of such Stock Bonus, including, if applicable, Section 14. By way of example and not by way of limitation, the Committee may require, as a condition to the payment of a Stock Bonus, that the Participant or the Company achieve such performance criteria as the Committee may specify at the time of the grant. Prior to the date on which a Stock Bonus awarded hereunder is required to be paid, such Award shall constitute an unfunded, unsecured promise by the Company to distribute Common Stock in the future.

10. Stock Appreciation Rights

The Committee may grant SARs under the Plan, which shall be evidenced by Award Agreements in such form as the Committee shall from time to time approve. SARs shall comply with and be subject to the following terms and conditions:

(a) Benefits Upon Exercise.

- (1) An SAR shall entitle the recipient to receive a payment equal to the excess of the Fair Market Value of the shares of Common Stock covered by the SAR on the date of exercise over the base price of the SAR. Such payment may be in cash, in shares of Common Stock, in shares of Deferred Stock, in shares of Restricted Stock or any combination, as the Committee shall determine. An SAR may be granted in tandem with all or a portion of a related Option under the Plan ("Tandem SAR"), or may be granted separately ("Freestanding SAR"). A Tandem SAR may be granted either at the time of the grant of the Option or at any time thereafter during the term of the Option and shall be exercisable only to the extent that the related Option is exercisable.
- (2) Upon exercise of a Tandem SAR as to some or all of the shares of Common Stock covered by the grant, the related Option shall be canceled automatically to the extent of the number of shares of Common Stock covered by such exercise, and such shares shall no longer be available for purchase under the Option. Conversely, if the related Option is exercised as to some or all of the shares of Common Stock covered by the grant, the related Tandem SAR, if any, shall be canceled automatically to the extent of the number of shares of Common Stock covered by the Option exercise.

- (b) Exercise Price. The base price of a Tandem SAR shall be the option price under the related Option. The base price of a Freestanding SAR shall be determined by the Committee at the time of the grant of such SAR but shall be not less than 100% of the Fair Market Value of the Common Stock on the date of grant of the Freestanding SAR.
- (c) Other Restrictions. SARs shall generally be subject to the same terms, conditions and limitations applicable to Options granted under Section 6.

11. Stock Units

- (a) Grant of Stock Units. Subject to the other terms of the Plan, the Committee shall, in its discretion as reflected by the terms of the applicable Award Agreement: (i) authorize the granting of Stock Units to Participants and (ii) determine or impose other conditions to the grant of Stock Units under the Plan as it may deem appropriate.
- (b) Term. The Committee may provide in an Award Agreement that any particular Stock Unit shall expire at the end of a specified term not to exceed 10 years.
- (c) Vesting.
 - (1) Stock Units shall vest and first become exercisable according to the terms and conditions set forth in the Award Agreement, as determined by the Committee at the time of grant. Stock Units may be payable upon termination of employment or service or upon other future event (including attainment of a Performance Goal).
 - (2) Unless otherwise provided in the Award Agreement (except due to a termination for Cause), if a Participant terminates employment or service with the Company, any and all of the Participant's Stock Units which have not vested prior to or as of such termination shall thereupon, and with no further action, be forfeited and cease to be outstanding.
 - (3) If a Participant terminates employment or service with the Company for Cause, any and all of the Participant's Stock Units which have not vested prior to or as of such termination shall thereupon, and with no further action, be forfeited and cease to be outstanding.
- (d) Settlement of Stock Units.
 - (1) Each vested and outstanding Stock Unit shall be settled by the payment to the Participant of cash equal to the Fair Market Value of the Common Stock times the number of Stock Units to be settled. The Fair Market Value shall be determined by reference to the date of termination or other future event as specified in the Award Agreement.
 - (2) Unless otherwise provided in an Award Agreement, each Stock Unit shall be settled with a single-sum payment by the Company.
 - (3) Unless otherwise provided in an Award Agreement and subject to Section 14, if applicable, the settlement date with respect to a Participant is the first day of the month to follow the Participant's termination of employment or service.
- (e) Nature of Stock Units. Stock Units are solely a device for the measurement and determination of the amounts to be paid to a Participant under the Plan. Each Participant's right in the Stock Units is limited to the right to receive payment, if any, as may herein be provided. The Stock Units do not constitute Common Stock and shall not be treated as (or as giving rise to) property or as a trust fund of any kind; provided, however, that the Company may establish a mere bookkeeping reserve to meet its obligations hereunder or a

trust or other funding vehicle that would not cause the Plan to be deemed to be funded for tax purposes or for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The right of any Participant of Stock Units to receive payments by virtue of participation in the Plan shall be no greater than the right of any unsecured general creditor of the Company. Nothing contained in the Plan shall be construed to give any Participant any rights with respect to Shares or any ownership interest in the Company. Without limiting Section 8, no provision of the Plan shall be interpreted to confer any voting, dividend or derivative or other similar rights with respect to any Stock Units.

12. Other Equity-Based Awards

The Committee may grant other types of equity-based Awards in such amounts and subject to such terms and conditions, as the Committee shall in its sole discretion determine, subject to the provisions of the Plan. Awards may entail the transfer of actual shares of Common Stock to Participants, or payment in cash or otherwise of amounts based on the value of shares of Common Stock.

13. Effect of Termination of Employment or Service on Awards

- (a) Options and SARs.
 - (1) Unless otherwise provided in an applicable Award Agreement and subject to Section 6(e), in the event that the employment or service of a Participant with the Company shall terminate for any reason other than Retirement, Cause, Disability or death (i) Options or SARs or SARs granted to such Participant, to the extent that they were exercisable on the Participant's termination date, shall remain exercisable until the expiration of 90 days after such termination date, on which date they shall expire, and (ii) Options or SARs or SARs granted to such Participant, to the extent that they were not exercisable on his termination date, shall expire at the close of business on such date; provided, however, that no Option or SAR shall be exercisable after the expiration of its term.
 - (2) Unless otherwise provided in an applicable Award Agreement and subject to Section 6(e), in the event that the employment or service of a Participant with the Company shall terminate on account of the death of the Participant, all Options or SARs or SARs granted to such Participant, to the extent that they were exercisable on the Participant's termination date, shall remain exercisable until the expiration of one year after such date, on which date they shall expire.
 - (3) Unless otherwise provided in an applicable Award Agreement and subject to Section 6(e), in the event that the employment or service of a Participant with the Company shall terminate on account of the Disability or Retirement of the Participant, all Options or SARs or SARs granted to such Participant, to the extent that they were exercisable on the Participant's termination date (or, in the case of Retirement such later date determined by the Committee), shall remain exercisable until the expiration of the term specified in their applicable Award Agreement, on which date they shall expire.

- (4) In the event of the termination of a Participant's employment or service for Cause, all outstanding Options or SARs or SARs granted to such Participant shall expire at the commencement of business on the Participant's termination date (or deemed termination under Section 2(e)).

(b) Restricted Stock and Deferred Stock.

- (1) In the event that the employment or service of a Participant with the Company shall terminate for any reason (other than a termination that is for Cause) prior to the expiration of the Restriction Period or Deferral Period with respect to such shares of Restricted Stock or Deferred Stock, unless otherwise provided by the Committee in its sole discretion, such termination shall cause the immediate forfeiture of all shares of Restricted Stock, Deferred Stock or Stock Bonus that have not vested as of the Participant's termination date.
- (2) In the event a Participant's employment or service is or is deemed to have been terminated for Cause, all shares of Restricted Stock still subject to a Restriction Period and all shares of Deferred Stock still subject to a Deferral Period as of his termination date immediately shall be forfeited.

14. Deferral Election

Notwithstanding any provision of the Plan to the contrary, any Participant may elect, to the extent permitted by Section 409A of the Code, with the concurrence of the Committee and consistent with any rules and regulations established by the Committee, to defer to a specified date the receipt of unrestricted Common Stock (or a cash payment hereunder) that the Participant would otherwise be entitled to receive pursuant to an Award. Such deferral may, at the Committee's sole discretion, be made in accordance with the terms of a non-qualified deferred compensation plan maintained by the Company. Notwithstanding such an election, the Committee may distribute the unrestricted Common Stock (or cash payment, if applicable) deferred by any Participant under this Section if the Committee determines, in its discretion, that the continued deferral of Common Stock hereunder is no longer in the best interest of the Company or that such deferred Award would be immediately taxable to the Participant.

15. Adjustments upon Changes in Capitalization

In the event of a reorganization, recapitalization, stock split, spin-off, split-off, split-up, stock dividend, issuance of stock rights, combination of shares, merger, consolidation or any other change in the corporate structure of the Company affecting Common Stock, any distribution to stockholders other than a cash dividend, or any change in the corporate structure of the Company (or any sub-unit of the Company), the Committee, in its discretion, shall make appropriate adjustment in the number and kind of shares authorized by the Plan and any other adjustments to outstanding Awards as it determines appropriate. No fractional shares of Common Stock shall be issued pursuant to such an adjustment. The Fair Market Value of any fractional shares resulting from adjustments under this Section shall, where appropriate, be paid in cash to the Participant. The determinations and adjustments made by the Committee under this Section shall be conclusive.

16. Effect of a Change in Control

Unless otherwise provided by the Committee in an Award Agreement, any Award granted hereunder that has not been vested hereunder, or been canceled or forfeited under any provision of the Plan, shall become fully exercisable and vest immediately. Any Awards deferred under Section 14 shall be paid prior to or as soon as practicable following a Change in Control, as determined by the Committee in its sole discretion.

17. Tax Withholding

Whenever the Company proposes or is required to issue or transfer shares of Common Stock under the Plan, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy any Federal, state or local withholding tax requirements prior to the delivery of any certificate for such shares, or in the discretion of the Committee, the Company may withhold from the shares to be delivered shares sufficient to satisfy all or a portion of such tax withholding requirements. Whenever under the Plan payments are to be made in cash, such payments may be net of an amount sufficient to satisfy any Federal, state and local tax withholding requirements.

18. Section 409A

Awards, payments and distributions under the Plan are intended to comply with or be exempt from Section 409A of the Code, and, along with the Plan, shall be administered, construed and interpreted in accordance with such intent. To the extent that an Award and/or payment is subject to or exempt from Section 409A of the Code, it shall be awarded and/or paid in a manner that will comply with Section 409A of the Code or the applicable exemption from Section 409A, including any applicable regulations or guidance issued by the Secretary of the United States Treasury Department and the Internal Revenue Service with respect thereto. This Plan and any Award shall be interpreted and administered, when possible, to avoid the imposition on any Participant of any additional taxes, accelerated taxes, interest or penalty under Section 409A of the Code. If any provision of the Plan would, in the reasonable, good faith judgment of the Committee, result or likely result in the imposition on the Participant, a beneficiary or any other person of any additional tax, accelerated taxation, interest or penalties under Section 409A of the Code, the Committee may modify the terms of the Plan or any Award, or may take any other such action, without the Participant's consent, in the manner that the Company and the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such additional tax, accelerated taxation, interest, or penalties or otherwise comply with Sections 409A of the Code. This Section 18 does not create an obligation on the part of the Company to modify the Plan or an Award and does not guarantee that an Award will not be subject to additional taxes, accelerated taxation, interest or penalties under Sections 409A of the Code. In no event shall the Company or any of its Subsidiaries be liable for any tax, interest or penalties that may be imposed on a Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, if a Participant is deemed on the date of his or her "separation from service" (as determined by the Company pursuant to Section 409A of the Code) to be one of the Company's "specified employees" (as determined by the Company pursuant to Section 409A of the Code), then any portion of any of such Participant's Awards that constitutes deferred compensation within the meaning of Section 409A of the Code, and is payable or distributable upon the Participant's separation from service, shall not be made or provided prior to the earlier of (i) the six-month anniversary of the date of the Participant's separation from service, or (ii) the date of the Participant's death (the "Delay Period"). All payments and distributions delayed pursuant to this Section 18 shall be paid or distributed to the Participant within thirty (30) days following the end of the Delay Period, subject to applicable withholding, and any remaining payments and distributions due after the end of the Delay Period shall be paid or distributed in accordance with the payment or distribution schedule specified for such Participant.

19. Award Forfeiture Provision

Notwithstanding any other provision of this Plan to the contrary, the Committee may provide for the forfeiture of Awards under the Plan and the benefits derived therefrom, in the event a Participant (or, if

applicable, his heir, legatee or permitted transferee) engages in conduct deemed to be harmful to, or not in the best interests of, the Company or if the Participant (or, if applicable, his heir, legatee or permitted transferee) fails to comply with any of the terms and conditions of the Plan or the agreement executed by such Participant (or, if applicable, his heir, legatee or permitted transferee) evidencing an Award, unless such failure is remedied by within ten days after having been notified of such failure by the Committee. Such provisions shall be included in the Award Agreements approved from time to time by the Committee and may be waived by the Committee, or its duly appointed agent, as determined in the Committee's sole discretion.

20. Transferability

- (a) Except as specifically provided in Section 19(b), no Awards may be transferred by the Participant otherwise than by will, by the laws of descent and distribution, and during the Participant's lifetime an Option may be exercised only by him. During the Restriction Period or Deferral Period, if applicable, immediately upon any attempt to transfer any rights under or to a share of Restricted Stock or Deferred Stock, such share, and all of the rights related thereto, shall be forfeited by the Participant and the transfer shall be of no force or effect. Upon the death of a Participant, outstanding Awards granted to such Participant may be exercised (if applicable) only by those person or persons who shall have acquired such right to exercise by will or the laws of descent and distribution. Such Awards shall be subject to the restrictions, conditions and limitations that were applicable to such Award at the time of the Participant's death and such other restrictions, conditions and limitations that the Committee shall determine in its sole discretion upon the death of the Participant.
- (b) The Committee, in its discretion, may allow for transferability of Non-Qualified Options by the Participant to children, grandchildren, spouse or common law spouse, siblings or parents of the Participant or to bona fide trusts, partnerships or other entities controlled by and of which the beneficiaries are Immediate Family Members of the Participant ("Immediate Family Members"). Any Awards that are transferable are further conditioned on the Participant and Immediate Family Members agreeing to abide by the Company's then current transfer guidelines applicable to such types of Award.

21. Effective Date, Termination and Amendment

- (a) Subject to the approval of the stockholders of the Company at Wayside Technology Group, Inc.'s 2012 annual meeting of stockholders, the Plan shall be effective as of March 30, 2012 (the "Effective Date"). The Plan shall remain in full force and effect until the earlier of ten years from the date of stockholder approval, or the date it is terminated by the Board. The Board shall have the power to amend, suspend or terminate the Plan at any time, provided that no such amendment shall be made without stockholder approval to the extent such approval is required under section 422 of the Code, section 162(m) of the Code, the rules of a stock exchange or any other applicable law. Termination of the Plan under this Section shall not affect Awards outstanding under the Plan at the time of termination.
- (b) The Committee shall have the power unilaterally and without approval of a Participant to amend an existing Award in order to carry out the purposes of the Plan so long as such an amendment does not take away any benefit granted to a Participant by the Award and as long as the amended Award comports with the terms of the Plan; provided, however, that prior to a Change in Control, if and to the extent that the Committee determines the

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Company's federal tax deduction in respect of an Award may be limited as a result of section 162(m) of the Code, the Committee may take any and all actions it deems necessary, in its sole and absolute discretion with respect to any Award (including the amendment, delay or cancellation of an Award to the detriment of a Participant) hereunder to eliminate or minimize the non-deductible portion of any Award. Nothing herein shall restrict the Committee's ability to exercise its discretionary authority pursuant to Section 4, which discretion may be exercised without amendment to the Plan or an Award.

22. Limitation of Implied Rights

- (a) Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company. Nothing contained in the Plan shall constitute a guarantee that the assets of such companies shall be sufficient to pay any benefits to any person.
- (b) Nothing contained in the Plan or any Award shall confer upon any Participant any right with respect to the continuation of his employment or service by the Company or interfere in any way with the right of the Company, subject to the terms of any separate agreement to the contrary, at any time to terminate such employment or service or to increase or decrease the compensation of the Participant from the rate in existence at the time of the grant of an Award.
- (c) No person shall have any claim or right to receive an Award hereunder. The Committee's granting of an Award to a Participant at any time shall neither require the Committee to grant an Award to such Participant or any other Participant or other person at any time nor preclude the Committee from making subsequent grants to such Participant or any other Participant or other person.
- (d) No person shall have any rights as a stockholder with respect to any shares of Common Stock covered by or relating to any Award granted under this Plan until the date that the Participant becomes the registered owner of such shares. Except as otherwise expressly provided in an Award Agreement, no adjustment to any Award shall be made for dividends or other rights for which the record date occurs prior to the date such stock certificate is issued.

23. Securities Law Matters

The Company shall be under no obligation to effect the registration pursuant to the Securities Act of 1933, as amended, of any interests in the Plan or any shares of Common Stock to be issued hereunder or to effect similar compliance under any state laws. Notwithstanding anything herein to the contrary, the Company shall not be obligated to cause to be issued or delivered any certificates evidencing shares of Common Stock under the Plan unless and until the Company is advised by its counsel that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Committee may require, as a condition of the issuance and delivery of certificates evidencing shares of

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Common Stock under the terms hereof, that the recipient of such shares make such covenants, agreements and representations, and that such certificates bear such legends, as the Committee, in its sole discretion, deems necessary or desirable.

- (a) The exercise of any Option granted hereunder shall be effective only at such time as counsel to the Company shall have determined that the issuance and delivery of shares of Common Stock pursuant to such exercise is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Committee may, in its sole discretion, and in accordance with

procedures established by the Committee, defer the effectiveness of any exercise of an Option granted hereunder in order to allow the issuance of shares of Common Stock pursuant thereto to be made pursuant to registration or an exemption from registration or other methods for compliance available under federal or state securities laws.

- (b) It is intended that the Plan be applied and administered in compliance with Rule 16b-3 of the Exchange Act, as amended from time to time. If any provision of the Plan would be in violation of Rule 16b-3 if applied as written, such provision shall not have effect as written and shall be given effect so as to comply with Rule 16b-3, as determined by the Committee and such provision may be amended or Award modified as determined in the sole discretion of the Committee.

24. Severability of Provisions

If any provision of this Plan is held to be invalid or unenforceable, the other provisions of the Plan shall not be affected but shall be applied as if the invalid or unenforceable provision had not been included in the Plan.

25. Applicable Law

Except to the extent preempted by any applicable federal law, the Plan will be construed and administered in accordance with the laws of the Commonwealth of Delaware, without reference to the principles of conflicts of law.

Wayside Technology Group, Inc.

2012 EXECUTIVE INCENTIVE PLAN

SECTION 1. PURPOSE AND EFFECTIVE DATE

- 1.1 Purpose of this Plan. The purpose of this Wayside Technology Group Inc. 2012 Executive Incentive Plan (this “Plan”) is to provide incentive compensation in order to attract, motivate, retain and reward executive officers of Wayside Technology Group, Inc. (the “Company”) through bonus awards payable upon attainment of objectively determinable performance goals related to the Company, a business unit and/or individual performance. This Plan is intended to permit the grant of awards which qualify as “qualified performance-based compensation” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.
- 1.2 Effective Date. This Plan is effective as of March 30, 2012 (the “Effective Date”), subject to the approval of the stockholders of the Company in accordance with applicable law at the annual meeting of the Company’s stockholders in 2012.

SECTION 2. DEFINITIONS

- 2.1 Definitions. The capitalized terms used in this Plan and not otherwise defined will have the meanings set forth below:

- (a) “Actual Award” means as to any Performance Period, the actual award (if any) payable to a Participant for the Performance Period, determined in accordance with Section 3.6 of this Plan.
- (b) “Board” means the Board of Directors of the Company.
- (c) “Code” means the Internal Revenue Code of 1986, as amended from time to time.
- (d) “Committee” means (i) the Compensation Committee of the Board or (ii) if no Compensation Committee exists, then a committee of Board members appointed by the Board to administer this Plan in accordance with Section 5.1 herein. The Committee will consist of not less than two members of the Board. The members of the Committee will be appointed from time to time by, and serve at the pleasure of, the Board. Each member of the Committee must qualify as an “outside director” within the meaning of Section 162(m) and the underlying regulations.
- (e) “Covered Employee Participant” means any Participant who is reasonably expected to be a “covered employee” within the meaning of Section 162(m)(3) of the Code with respect to any Performance Period in which the Company would be entitled to take a compensation deduction for an Actual Award to such Participant (determined without regard to the limitation on deductibility imposed by Section 162(m)).

- (f) “Covered Employee Performance Goals” means objective and measurable performance goals determined by the Committee, in its discretion, to be applicable to a Covered Employee Participant for a Performance Period. As determined by the Committee, the Covered Employee Performance Goals for any award may provide for a targeted level or levels of achievement using one or more of the following measures (which shall be applicable to the organizational level specified by the Committee, including, but not limited to, the Company or a segment thereof): earnings before interest, taxes, depreciation and amortization, net income (loss) (either before or after interest, taxes, depreciation and/or amortization), changes in the market price of the common stock of the Company (the “Stock”), economic value-added, funds from operations or similar measure, milestones related to or changes in sales or revenue, acquisitions or strategic transactions, operating income (loss), milestones related to or changes in cash flow (including, but not limited to, operating cash flow and free cash flow), return on capital, assets, equity, or investment, stockholder returns, return on sales, gross or net profit levels, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings (loss) per share of Stock, sales or market shares and number of customers, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The foregoing measures may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. The Covered Employee Performance Goals may differ from Covered Employee Participant to Covered Employee Participant and from award to award.
- (g) “Determination Date” means the 90th day of any Performance Period, or, if earlier, the date prior to the date upon which 25% of the Performance Period has elapsed.
- (h) “Eligible Employee” means any executive officer of the Company who is required at the time a Performance Period commences to file reports of beneficial ownership with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder.
- (i) “Fiscal Year” means the fiscal year of the Company.
- (j) “Maximum Award” means the aggregate incentive amount that may be earned under this Plan by a Participant for all Performance Periods beginning in any given fiscal year of the Company shall be \$1,000,000.
- (k) “Participant” means as to any Performance Period, an Eligible Employee who has been selected by the Committee for participation in this Plan for such Performance Period.

- (l) “Payout Formula” means as to any Performance Period, the formula or payout matrix established by the Committee pursuant to Section 3.3 of this Plan in order to determine the Actual Awards (if any) to be paid to Participants. The formula or matrix may differ from Participant to Participant.
- (m) “Performance Goal” means a Covered Employee Performance Goal.
- (n) “Performance Period” means any Fiscal Year or other period determined by the Committee pursuant to Section 3.2(a) herein over which achievement of Performance Goals will be measured. A Performance Period may be a one-year period or any longer or shorter period, and may differ from Participant to Participant and from award to award.
- (o) “Section 162(m)” means Section 162(m) of the Code.
- (p) “Termination of Service” means a cessation of the employee-employer relationship between an Eligible Employee and the Company and its subsidiaries for

any reason, including, without limitation, a termination by resignation, discharge, death, disability, retirement, or the sale of any subsidiary or other affiliate of the Company or the sale of a business unit or division of the Company, but excluding any such termination where there is a simultaneous reemployment by the Company or any subsidiary or other affiliate of the Company.

SECTION 3. SELECTION OF PARTICIPANTS AND DETERMINATION OF AWARDS

- 3.1 Selection of Participants. The Committee, in its sole discretion, will select the Eligible Employees of the Company who will be Participants for any Performance Period. Participation in this Plan is in the sole discretion of the Committee. An Eligible Employee who is a Participant for a given Performance Period is in no way guaranteed or assured of being selected for participation in any subsequent Performance Period.
- 3.2 Determination of Performance Period and Performance Goals
- (a) The Committee, in its sole discretion, will determine the Performance Period applicable to awards made to Participants under this Plan.
 - (b) The Committee, in its sole discretion, will establish the Performance Goals and related Payout Formulas for each Participant for each Performance Period. Such Performance Goals and related Payout Formulas will be set forth in writing and shall be set forth at a time when the attainment of the applicable Performance Goals are substantially uncertain and in no event later than the Determination Date for such Performance Period.
 - (c) The Committee, in its sole discretion, may specify that the achievement of the Performance Goals will be determined without regard to the negative or positive effect of certain events, including, without limitation, any of the following: (i)

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charges for “extraordinary items” and other unusual or non-recurring items of loss or gain; (ii) asset impairments; (iii) litigation or claim judgments or settlements; (iv) changes in the Code or tax rates; (v) changes in accounting principles from the methods used in the Company’s regular reports and financial statements; (vi) changes in other laws, regulations or other provisions affecting reported results; (vii) charges relating to restructurings, discontinued operations, severance and contract termination and other costs incurred in rationalizing certain business activities; (viii) gains or losses from the acquisition or disposition of businesses or assets or from the early extinguishment of debt; (ix) any recapitalization, reorganization, stock split or dividend, merger, acquisition, divestiture, consolidation, spin-off, combination, liquidation, dissolution or other similar corporate transaction; and (x) foreign currency exchange gains or losses; provided that any such determination by the Committee with respect to a Covered Employee Participant shall be made in a manner that is consistent with the provisions of Section 162(m) and the regulations and guidance promulgated thereunder.

- 3.3 Determination of Payout Formula. The Committee, in its sole discretion, will establish a Payout Formula for purposes of determining the Actual Award (if any) payable to each Participant for each Performance Period. The Committee will establish each Payout Formula with sufficient specificity to satisfy the requirements of Section 162(m) at a time when the attainment of the related Performance Goals are substantially uncertain, and in no event later than the Determination Date for such Performance Period. Each Payout Formula will (a) be in writing and (b) provide for the payment of a Participant’s Actual Award based on whether or the extent to which the Performance Goals for the Performance Period are achieved. Notwithstanding the foregoing, in no event will a Covered Employee’s Actual Award for any Performance Period exceed the Maximum Award.
- 3.4 Determination of Maximum Awards. The Committee, in its sole discretion, may establish a separate maximum award for a Participant, and any such maximum award will be set forth in writing. Notwithstanding the foregoing, in no event will a Covered Employee’s Actual Award for any Performance Period exceed the Maximum Award.
- 3.5 Date for Determinations. The Committee will make all determinations with respect to awards to Covered Employee Participants under Sections 3.1, 3.2, 3.3 and 3.4 hereof on or before the Determination Date.
- 3.6 Determination of Actual Awards.
- (a) After the end of each Performance Period, the Committee will determine and certify in writing the extent to which the Performance Goals applicable to each Participant for such Performance Period were achieved or exceeded. The Actual Award for each Participant will be determined by applying the Payout Formula to the level of actual performance that has been certified by the Committee.

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- (b) Notwithstanding anything to the contrary in this Plan, in determining the Actual Award for any Covered Employee Participant, the Committee, in its sole discretion, may reduce (but not increase) the award payable to any Covered Employee Participant below the award which otherwise would be payable under the Payout Formula. In no event shall any increase in an Actual Award be permitted with respect to a Covered Employee Participant.

SECTION 4. PAYMENT OF AWARDS

- 4.1 Continued Employment. Except as otherwise determined by the Committee or as provided in Section 4.5 below, no Actual Award will be paid under this Plan with respect to a Performance Period to any Participant who has a Termination of Service prior to the date on which such award is paid pursuant to Section 4.3 below.
- 4.2 Form of Payment. Each Actual Award will be paid to the Participant in cash.
- 4.3 Timing of Payment. Payment of each Actual Award will be made as soon as administratively feasible, on a date determined by the Committee, following the certifications and determinations made by the Committee pursuant to Section 3.6 of this Plan after the end of the applicable Performance Period; provided, however, that, in no event will an Actual Award be paid later than 75 days after the end of such Performance Period.
- 4.4 Awards Payable from Company’s General Assets. Each Actual Award that may become payable under this Plan will be paid solely from the general assets of the Company. Nothing in this Plan will be construed to create a trust or to establish or evidence any Participant’s claim of any right to payment of an Actual Award other than as an unsecured general creditor of the Company.
- 4.5 Payment in the Event of Certain Terminations of Service. Notwithstanding the provisions of Section 4.1 of this Plan, in the event that the Participant is a party to an effective employment agreement with the Company or a subsidiary which provides for the payment of an annual bonus or a pro-rata portion thereof in the event of certain Terminations of Service, then the provisions of such employment agreement shall govern the payment of awards hereunder; provided that, in the case of any Covered Employee Participant, the provisions of such employment agreement are consistent with the status of the award as “qualified performance-based compensation” for purposes of Section 162(m).

SECTION 5. ADMINISTRATION

5.1 Committee is the Administrator. This Plan will be administered by the Committee.

5.2 Committee Authority. The Committee will administer this Plan in accordance with its provisions. The Committee will have full power and authority to (a) determine which

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Eligible Employees will be granted awards, (b) prescribe the terms and conditions of awards, (c) interpret this Plan and any awards, (d) adopt rules for the administration, interpretation and application of this Plan as are consistent with the terms hereof, and (e) interpret, amend or revoke any such rules. The Committee may make equitable adjustment to awards to reflect the impact of extraordinary events, provided that no such adjustment shall be permitted to the extent the adjustment would result in an award ceasing to constitute "qualified performance-based compensation" for purposes of Section 162(m).

5.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of this Plan will be final, conclusive and binding on all persons and will be given the maximum deference permitted by law.

SECTION 6. AMENDMENT, TERMINATION AND DURATION

6.1 Amendment or Termination. The Committee, in its sole discretion, may alter, amend or terminate this Plan in whole or in part at any time and for any reason; provided, however, that in no event will the Committee amend or modify this Plan to the extent such modification or amendment would cause the amounts payable under this Plan to Covered Employee Participants for a particular Performance Period to fail to qualify as "qualified performance-based compensation" for purposes of Section 162(m); and, provided further, that no amendment or other action that requires stockholder approval in order for the Plan to continue to comply with applicable law (including, but not limited to, amounts payable to Covered Employee Participants for a particular Performance Period qualifying as "qualified performance-based compensation" for purposes of Section 162(m)) shall be effective unless such amendment or other action shall be approved by the requisite vote of stockholders entitled to vote thereon. The amendment or termination of this Plan will not, without the consent of a Participant, materially and adversely alter or impair any rights or obligations under any Actual Award theretofore granted to such Participant. No award may be granted during any period after termination of this Plan.

6.2 Duration of this Plan. This Plan became effective on the Effective Date, subject to approval by the stockholders of the Company at the 2012 annual meeting of the Company's stockholders. Subject to the Committee's right to terminate this Plan in accordance with Section 6.1 above, the Plan will terminate on the date five years after the 2012 annual meeting of the Company's stockholders (the "Termination Date"). Awards granted to Participants on or prior to the Termination Date will remain in full force and effect after the Termination Date in accordance with the terms thereof, but no new awards may be granted after the Termination Date.

SECTION 7. GENERAL PROVISIONS

7.1 Taxes and Withholding. The Company, as appropriate, may require any Participant entitled to receive a payment of an award to remit to the Company, prior to payment, an amount sufficient to satisfy any applicable tax withholding requirements. The Company,

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as appropriate, shall have the right to deduct and withhold from all cash payments made to a Participant (whether or not such payment is made in connection with an Actual Award) any and all applicable income or employment taxes, including federal, state and local taxes, or other amounts required to be withheld with respect to such payments.

7.2 Section 409A. Awards, payments and distributions under the Plan are intended to comply with or be exempt from Section 409A of the Code, and, along with the Plan, shall be administered, construed and interpreted in accordance with such intent. To the extent that an award and/or payment is subject to or exempt from Section 409A of the Code, it shall be awarded and/or paid in a manner that will comply with Section 409A of the Code or the applicable exemption from Section 409A, including any applicable regulations or guidance issued by the Secretary of the United States Treasury Department and the Internal Revenue Service with respect thereto. This Plan and any award shall be interpreted and administered, when possible, to avoid the imposition on any Participant of any additional taxes, accelerated taxes, interest or penalty under Section 409A of the Code. If any provision of the Plan would, in the reasonable, good faith judgment of the Committee, result or likely result in the imposition on the Participant, a beneficiary or any other person of any additional tax, accelerated taxation, interest or penalties under Section 409A of the Code, the Committee may modify the terms of the Plan or any award, or may take any other such action, without the Participant's consent, in the manner that the Company and the Committee may reasonably and in good faith determine to be necessary or advisable to avoid the imposition of such additional tax, accelerated taxation, interest, or penalties or otherwise comply with Sections 409A of the Code. This Section 7.2 does not create an obligation on the part of the Company to modify the Plan or an award and does not guarantee that an award will not be subject to additional taxes, accelerated taxation, interest or penalties under Sections 409A of the Code. In no event shall the Company or any of its Subsidiaries be liable for any tax, interest or penalties that may be imposed on a Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, if a Participant is deemed on the date of his or her "separation from service" (as determined by the Company pursuant to Section 409A of the Code) to be one of the Company's "specified employees" (as determined by the Company pursuant to Section 409A of the Code), then any portion of any of such Participant's awards that constitutes deferred compensation within the meaning of Section 409A of the Code, and is payable or distributable upon the Participant's separation from service, shall not be made or provided prior to the earlier of (i) the six-month anniversary of the date of the Participant's separation from service, or (ii) the date of the Participant's death (the "Delay Period"). All payments and distributions delayed pursuant to this Section 7.2 shall be paid or distributed to the Participant within thirty (30) days following the end of the Delay Period, subject to applicable withholding, and any remaining payments and distributions due after the end of the Delay Period shall be paid or distributed in accordance with the payment or distribution schedule specified for such Participant.

7.3 No Effect on Employment or Service. Nothing in this Plan will interfere with or limit in any way the right of the Company to terminate any Participant's employment or service at any time, with or without cause. For purposes of this Plan, transfer of employment of a

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Participant between the Company and any one of its subsidiaries or affiliates (or between such subsidiaries or affiliates) will not be deemed a Termination of Service. Employment with the Company is on an at-will basis only.

7.4 Participation. No Eligible Employee will have the right to be selected to receive an award under this Plan, or, having been so selected, to be selected to receive a future award. There is no obligation for uniformity of treatment of Eligible Employees, Participants or holders or beneficiaries of Actual Awards.

7.5 Clawback. Actual Awards under this Plan may be made subject to any incentive compensation recoupment policy of the Company in effect at the time of the making of the award or as required by applicable law, regulation or listing requirement.

- 7.6 Successors. All obligations of the Company under this Plan with respect to awards granted hereunder will be binding on any successor to the Company, whether any such succession is the result of a direct or indirect purchase, merger, consolidation of the Company, acquisition of all or substantially all of the business or assets of the Company, or otherwise.
- 7.7 Beneficiary Designations. If permitted by the Committee, a Participant under this Plan may name a beneficiary or beneficiaries to whom any Actual Award will be paid in the event of the Participant's death. In the absence of any such designation, any awards remaining unpaid at the Participant's death will be paid to the Participant's estate.
- 7.8 Nontransferability of Awards. No award granted under this Plan may be sold, transferred, pledged or assigned, other than by will or by the laws of descent and distribution. All rights with respect to an award granted to a Participant will be available during his or her lifetime only to the Participant.
- 7.9 Severability. In the event any provision of this Plan is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of this Plan, and this Plan will be construed and enforced as if the illegal or invalid provision had not been included.
- 7.10 Requirements of Law. The granting of awards under this Plan will be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.
- 7.11 Governing Law. This Plan and all awards will be construed in accordance with and governed by the laws of the State of Delaware, but without regard to its conflict of law provisions.
- 7.12 Rules of Construction. Captions are provided in this Plan for convenience only, and captions will not serve as a basis for interpretation or construction hereof. Unless otherwise expressly provided or unless the context otherwise requires, the terms defined in this Plan include the plural and the singular.

CERTIFICATION

I, Simon F. Nynens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wayside Technology Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2012

/s/ Simon F. Nynens

Simon F. Nynens
Chairman of the Board
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Kevin T. Scull, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wayside Technology Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2012

/s/ Kevin T. Scull

Kevin T. Scull
Vice President and Chief Accounting Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Wayside Technology Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Simon F. Nynens, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Simon F. Nynens

Simon F. Nynens

Chairman of the Board

President and Chief Executive Officer (Principal Executive Officer)

August 3, 2012

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Wayside Technology Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin T. Scull, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin T. Scull

Kevin T. Scull
Vice President and Chief Accounting Officer (Principal Financial Officer)
August 3, 2012

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by Company and furnished to the Securities and Exchange Commission or its staff upon request.
